Shine Corporate Ltd

Half-Year Financial Statements

31 December 2019

ABN: 93 162 817 905

ASX CODE: SHJ

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This half-year financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report should be read in conjunction with the annual report for the year ended 30 June 2019 and any public announcements made by Shine Corporate Ltd during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

Shine Corporate Ltd is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is at Level 13, 160 Ann Street, Brisbane, Queensland. Its shares are quoted on the Australian Securities Exchange.

Directors' report

Your Directors present their report on the consolidated entity consisting of Shine Corporate Ltd and entities it controlled at the end of, or during, the half-year ended 31 December 2019.

Directors

The persons who were directors of Shine Corporate Ltd during the whole of the half-year and up to the date of this report are set out below. Directors were in office for this entire period unless otherwise stated.

- Mr Tony Bellas (Chairman)
- Ms Carolyn Barker, AM
- Mr Gregory Moynihan
- Mr Simon Morrison

Review of operations

Shine Corporate Ltd and its controlled entities are a group which derives its revenues and profits primarily from one source being the provision of legal services throughout the eastern and western seaboard of Australia and the conduct of an insurance recovery business in New Zealand.

The Group is steadily expanding its footprint in Personal Injury (PI) in damages based plaintiff litigation, but with a focus on growing New Practice Areas (NPA) at a faster rate than the PI practice area.

The focus remains to continue to extend our reach into other jurisdictions outside of Queensland to mitigate the impact of exposure to a single market. The Group has been successful in achieving this with just over two thirds of its revenue as at 31 December 2019 earned in markets outside of Queensland personal injuries.

During the first half, we have further run a new digital advertising campaign and this is expected to have a positive impact on our revenues for the second half.

On 21 November 2019, the decision of the Federal Court of Australia was delivered in the Class Action brought by Shine Lawyers representing three Applicants against Ethicon Sarl, Ethicon Inc. and Johnson and Johnson Medical Pty Ltd. The applicants' claims have been upheld with damages and costs to be determined in the coming months.

A summary of consolidated revenues and results for the half-year by significant segments is set out below:

	Segment revenues		**Segment results**	
	2019	2018	**2019**	2018
	$'000	$'000	**$'000**	$'000
• PI	**56,566**	59,159	**14,803**	17,969
• NPA	**31,874**	27,071	**7,180**	4,460
• Other	**1,004**	168	**(317)**	(2,873)
Total segment revenue/result	**89,444**	86,398	**21,666**	19,556

Segment results are adjusted earnings before interest, tax, depreciation and amortisation (EBITDA), which is the measure of segment result that is reported to the Managing Director to assess the performance of the operating segments. For a reconciliation to operating profit before tax refer to note 1.

Significant factors that have affected the Group’s operations and results during the six months to 31 December 2019 are described below:

(a) PI

Shine Lawyers continued to specialise in damages based plaintiff litigation legal services, primarily relating to personal injuries. Segment revenue for the six months to 31 December 2019 was lower than the revenue for the comparable period as a result of a combination of factors including the impact of the closure of non-performing practices in the previous period.

(b) NPA

Previously Emerging Practice Areas, this area has been renamed to New Practice Areas.

The Class action division has continued to grow, strengthening our expertise through the employment of key Class Action lawyers. Growth in revenues reflects the impact of the Carr and Co Divorce and Family Lawyers Pty Ltd acquisition in January 2019. The Directors expect further growth in revenues and profits in the remainder of the financial year.

Outlook

We continue to explore organic and acquisition growth opportunities across several business units including building out the national footprint in Family Law and a solid pipeline of Class Actions and PI cases.

Shine is the second largest player, in Australia PI Litigation, with 8% market share. While competition is intense, the PI industry continues to grow at 2-4% per annum and Shine continues to seek further market share.

Auditor’s independence declaration

A copy of the auditor’s independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 6.

Rounding off of amounts

The amounts contained in the financial report have been rounded to the nearest $1,000 (unless otherwise stated) under the option available to the Company under ASIC Corporations (Rounding in Financial/Directors’ Reports) Instrument 2016/191. The Company is an entity to which the legislative instrument applies.

This report is made in in accordance with a resolution of the Directors.

Simon Morrison
Managing Director and CEO

Brisbane
28 February 2020

Auditor's Independence Declaration

As lead auditor for the review of Shine Corporate Ltd for the half-year ended 31 December 2019, I declare that to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

(b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Shine Corporate Ltd and the entities it controlled during the period.

Simon Neill
Partner
PricewaterhouseCoopers

Brisbane
28 February 2020

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Consolidated statement of profit or loss

	Notes	Half-year 31 Dec 19 $'000	Half-year 31 Dec 18 $'000
Revenue	1	**88,420**	85,416
Other income	1	**1,024**	982
Employee benefits expense		**(46,245)**	(46,344)
Depreciation and amortisation expense		**(5,778)**	(5,822)
Finance costs		**(3,385)**	(3,508)
Impairment expense	2	**-**	(5,000)
Other expenses		**(21,298)**	(20,330)
Profit before income tax		**12,738**	5,394
Income tax expense		**(3,908)**	(3,185)
Profit for the half-year		**8,830**	2,209
Profit is attributable to:			
• Owners of Shine Corporate Limited		**8,785**	2,209
• Non-controlling interest		**45**	-
		8,830	2,209

	Cents	Cents
Earnings per share for profit attributable to the ordinary equity holders of the company:		
Basic earnings per share	**5.08**	1.28
Diluted earnings per share	**4.97**	1.26

The above consolidated statement of profit or loss should be read in conjunction with the accompanying notes.

Consolidated statement of comprehensive income

	Half-year	
	31 Dec 19	31 Dec 18
	$'000	$'000
Profit for the half-year	**8,830**	2,209
Other comprehensive income		
Items that may reclassified to profit or loss		
Exchange differences on translation of foreign operations	**7**	224
Other comprehensive income for the half-year net of tax	**7**	224
Total comprehensive income for the half-year	**8,837**	2,433
Total comprehensive income for the half year is attributable to:		
• Owners of Shine Corporate Ltd	**8,792**	2,433
• Non-controlling interest	**45**	-
	8,837	2,433

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Consolidated balance sheet

	Notes	**31 Dec 19 $'000**	30 Jun 19 $'000
ASSETS			
Current assets			
Cash and cash equivalents		**24,171**	26,697
Trade and receivables		**11,670**	10,479
Contract assets – work in progress		**185,086**	172,996
Income tax receivable		**-**	306
Unbilled disbursements	4	**65,291**	59,595
Other current assets		**2,397**	2,870
Total current assets		**288,615**	272,943
Non-current assets			
Trade and other receivables		**5,274**	5,107
Contract assets – work in progress		**110,674**	109,975
Unbilled disbursements	4	**20,359**	18,701
Property, plant and equipment		**3,612**	3,286
Right of use assets		**44,116**	47,624
Intangible assets		**48,148**	47,944
Total non-current assets		**232,183**	232,637
Total assets	1	**520,798**	505,580
LIABILITIES			
Current liabilities			
Trade and other payables		**13,384**	14,503
Unbilled disbursement creditors		**77,647**	65,441
Borrowings	7	**2,960**	3,581
Lease liabilities		**7,641**	7,484
Other current financial liabilities		**1,452**	1,090
Current tax liabilities		**33**	247
Provisions		**6,638**	6,736
Total current liabilities		**109,755**	99,082
Non-current liabilities			
Trade and other payables		**2,530**	2,515
Borrowings	7	**49,645**	50,832
Lease liabilities		**43,856**	47,054
Deferred tax liabilities		**84,941**	81,146
Provisions		**2,598**	2,543
Total non-current liabilities		**183,570**	184,090
Total liabilities	1	**293,325**	283,172
Net assets		**227,473**	222,408

Consolidated balance sheet

	31 Dec 19 $'000	30 Jun 19 $'000
EQUITY		
Share capital	**53,223**	53,150
Reserves	**757**	187
Retained earnings	**173,422**	168,966
Capital and reserves attributable to the owners of Shine Corporate Ltd	**227,402**	222,303
Non-controlling interest	**71**	105
Total equity	**227,473**	222,408

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

Consolidated statement of changes in equity

	Attributable to owners of Shine Corporate Ltd						
	Share capital $'000	Equity share reserve $'000	Foreign exchange reserve $'000	Retained earnings $'000	Total $'000	Non-controlling interest $'000	Total equity $'000
Balance at 1 July 2018	53,150	41	(372)	161,077	213,896	-	213,896
Profit for the half-year	-	-	-	2,209	2,209	-	2,209
Other comprehensive income	-	-	224	-	224	-	224
Total comprehensive income for the half-year	-	-	224	2,209	2,433	-	2,433
Transactions with owners in their capacity of owners							
Dividends provided for or paid	-	-	-	(3,896)	(3,896)	-	(3,896)
Employee share schemes – value of employee services		335	-	-	335	-	335
At 31 December 2018	53,150	376	(148)	159,390	212,768	-	212,768
Balance at 1 July 2019	**53,150**	**433**	**(246)**	**168,966**	**222,303**	**105**	**222,408**
Profit for the half-year	**-**	**-**	**-**	**8,785**	**8,785**	**45**	**8,830**
Other comprehensive income	**-**	**-**	**7**	**-**	**7**	**-**	**7**
Total comprehensive income for the half-year	**-**	**-**	**7**	**8,785**	**8,792**	**45**	**8,837**
Transactions with owners in their capacity of owners							
Dividends provided for or paid	**-**	**-**	**-**	**(4,329)**	**(4,329)**	**(79)**	**(4,408)**
Issue of deferred ordinary shares	**73**	**45**	**-**	**-**	**118**	**-**	**118**
Employee share schemes – value of employee services	**-**	**518**	**-**	**-**	**518**	**-**	**518**
At 31 December 2019	**53,223**	**996**	**(239)**	**173,422**	**227,402**	**71**	**227,473**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Consolidated statement of cash flows

	Half-year 2019 $'000	Half-year 2018 $'000
Cash flows from operating activities		
Receipts from customers	**83,470**	77,682
Payments to suppliers and employees	**(73,108)**	(77,380)
Disbursements recovered	**40,109**	50,427
Disbursements paid	**(37,373)**	(44,113)
Interest received	**235**	168
Finance costs	**(2,684)**	(3,191)
Income taxes (paid)/received	**(20)**	22
Net cash inflow from operating activities	**10,629**	3,615
Cash flows from investing activities		
Payments for property, plant and equipment	**(789)**	(541)
Payments for acquisition of subsidiary and payment for files	**15**	(1,110)
Purchase of receivables	**(678)**	-
Loans to related parties	**(527)**	(338)
Payment of intangible assets	**(1,373)**	(1,288)
Net cash outflow from investing activities	**(3,352)**	(3,277)
Cash flows from financing activities		
Proceeds from issues of shares and other equity securities	**73**	-
Repayment of borrowings	**(682)**	(1,068)
Principal elements of lease payments	**(3,697)**	(3,620)
Asset finance facility drawdowns	**-**	529
Asset finance facility repayments	**(1,124)**	(1,242)
Dividends paid to company's shareholders	**(4,329)**	(3,896)
Dividends paid to non-controlling interests in subsidiaries	**(79)**	-
Net cash outflow from financing activities	**(9,838)**	(9,297)
Net decrease in cash and cash equivalents	**(2,561)**	(8,959)
Cash and cash equivalents at the beginning of the half-year	**26,697**	22,549
Effects of exchange rate changes on cash and cash equivalents	**35**	23
Cash and cash equivalents at the end of the half-year	**24,171**	13,613

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Basis of preparation of half-year report

The consolidated financial report for the half-year reporting period ended 31 December 2019 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001.*

This half-year financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report should be read in conjunction with the annual report for the year ended 30 June 2019 and any public announcements made by Shine Corporate Ltd during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

New and amended standards adopted by the Group

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

Early adoption of AASB 9 *Financial Instruments*, AASB 15 *Revenue from Contracts with Customers*, and AASB 16 – *Leases*

These standards were early adopted by the Group on 1 July 2018 and replaced the guidance in AASB 139 *Financial Instruments: Recognition and Measurement*, AASB118 *Revenue* and AASB 117 *Leases* respectively.

The impact of the adoption of these standards on the Group's financial statement and disclosures of the accounting policy that applied from 1 July 2018 was therefore disclosed in the prior financial year. Refer to the 2019 Annual Report for more detail.

Significant accounting judgements

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the consolidated financial statements:

(a) Estimating variable consideration

Under AASB 15, where consideration in respect of a contract is variable, revenue can only be recognised to the extent that it is highly probable that the cumulative amount of revenue recognised in respect of a contract will not be subject to a significant reversal when the uncertainty associated with the variable consideration is subsequently resolved (this is referred to as the "constraint" requirement).

Prior to the adoption of AASB 15, variable consideration expected to be received from services (primarily services provided on a no-win-no-fee basis, also known as contingent basis) was based upon time recorded productivity or productivity estimated through professional judgement. This gross productivity was adjusted for expected losses in relation to billing write-offs and unsuccessful matters.

The Group has determined statistically that its existing modelling for expected losses for contingent matters is materially compliant with the new constraint requirements for variable consideration.

(b) Classification of Work in Progress and Disbursements

The Company determines the classification between current and non-current by evaluating the expected timing of settlements and billings of each case, taking into account historical trends and average length of time that cases are open.

(c) Assumed extension of options on premises leases

Each premises lease is assessed to determine whether the option to extend the premises at the end of the lease will be exercised, which requires judgement and estimate. This has resulted in a majority of cases in the assumed extension of premises leases, increasing the right of use asset and lease liabilities.

The notes to the financial report

The notes include information which is required to understand the financial statements and is material and relevant to the operations, financial position and performance of the Group. Information is considered material and relevant if, for example:

- the amount in question is significant because of its size or nature;
- it is important for understanding the results of the Group;
- it helps to explain the impact of significant changes in the Group's business – for example, acquisitions and impairment write-downs; or
- it relates to an aspect of the Group's operations that is important to its future performance.

The notes are organised into the following sections:

Key numbers: provides a breakdown of individual line items in the financial statements that the Directors consider most relevant and where required, summarises the accounting policies, judgements and estimates relevant to understanding these line items;

Capital: provides information about the shareholder returns for the year;

Risk: discusses how the Group determines fair values of various financial assets and liabilities;

Unrecognised items: provides information about items that are not recognised in the financial statements but could potentially have an impact on the Group's financial position and performance; and

Other: provides information on items which require disclosure to comply with Australian Accounting Standards and other regulatory pronouncements however, are not considered critical in understanding the financial performance or position of the Group.

1. Segment and revenue information

(a) Description of segments

Shine Corporate Ltd and its controlled entities are a group which derives its revenues and profits primarily from the provision of legal services. The Group's Managing Director considers the business from a service perspective and has identified two reportable segments.

PI

Personal injury remains the core business in damages based plaintiff litigation.

Services offered include:

1. motor vehicle accidents;
2. workers' compensation;
3. public liability; and
4. catastrophic injuries.

Subsidiaries within this segment include part of Shine Lawyers Pty Ltd, SB Law Pty Ltd, Sciacca's Lawyers Pty Ltd, Bradley Bayly Holdings Pty Ltd, and the files acquired within Claims Consolidated Pty Ltd.

NPA

The Group has diversified to include new practice areas such as:

- class actions
- abuse law;
- disability insurance and superannuation claims;
- commercial disputes
- medical negligence;
- professional negligence;
- first party insurance recovery claims;
- landowners' rights;
- family law;
- aviation;
- product liability; and
- asbestos and dust disease

Subsidiaries within this segment include part of Shine Lawyers, Emanate Legal Services P/L, Best Wilson Buckley Family Law P/L, Shine NZ Services P/L, Risk Worldwide New Zealand Limited, My Insurance Claim P/L, Carr & Co Divorce and Family Lawyers P/L and the files acquired within ACA Lawyers Pty Limited.

1. Segment and revenue information (continuation)

The table below shows the segment information provided to the Managing Director for the reportable segments for the half-year ended 31 December 2019 and also the basis on which revenue is recognised:

	PI		NPA		Unallocated items		Total	
	31 Dec 19 $'000	31 Dec 18 $'000	**31 Dec 19 $'000**	31 Dec 18 $'000	**31 Dec 19 $'000**	31 Dec 18 $'000	**31 Dec 19 $'000**	31 Dec 18 $'000
Revenue								
Legal services								
• No-win-no-fee variable	**56,551**	58,754	**19,032**	15,705	**-**	-	**75,583**	74,459
• No-win-no-fee fixed fee	**-**	-	**3,236**	1,761	**-**	-	**3,236**	1,761
• Time and materials	**-**	-	**9,601**	9,229	**-**	-	**9,601**	9,229
Other professional services revenue	**-**	375	**-**	(408)	**-**	-	**-**	(33)
Revenue from external customers	**56,551**	59,129	**31,869**	26,287	**-**	-	**88,420**	85,416
Interest income	**-**	-	**-**	-	**235**	168	**235**	168
Service management fee	**-**	-	**-**	-	**769**	-	**769**	-
Other revenue	**15**	30	**5**	784	**-**	-	**20**	814
Other income	**15**	30	**5**	784	**1,004**	168	**1,024**	982
Total segment revenue	**56,566**	59,159	**31,874**	27,071	**1,004**	168	**89,444**	86,398
Results								
EBITDA	**14,803**	17,969	**7,180**	4,460	**(317)**	(2,873)	**21,666**	19,556

	31 Dec 19 $'000	30 Jun 19 $'000	**31 Dec 19 $'000**	30 Jun 19 $'000	**31 Dec 19 $'000**	30 Jun 19 $'000	**31 Dec 19 $'000**	30 Jun 19 $'000
Total segment assets	**307,410**	309,983	**209,785**	185,724	**3,603**	9,873	**520,798**	505,580
Total segment liabilities	**100,230**	94,705	**56,286**	53,308	**136,809**	135,159	**293,325**	283,172

1. Segment and revenue information (continuation)

The Managing Director uses adjusted EBITDA as a measure to assess the performance of the segments.

This excludes the effects of significant items of income and expenditure which may have an impact on the quality of earnings such as:

- finance costs;
- impairments when the impairment is the result of an isolated, non–recurring event; and
- Impact of AASB 16 *Leases*

Interest income is not allocated to segments, as this type of activity is driven by the finance function, which manages the cash position of the Group.

A reconciliation of adjusted EBITDA to operating profit after income tax is provided as follows:

	Half-year	
	31 Dec 19	31 Dec 18
	$'000	$'000
Profit after income tax	**8,830**	2,209
Finance costs - net	**3,385**	3,508
Depreciation and amortisation expense	**5,778**	5,822
Impairment of goodwill	**-**	5,000
Income tax expense	**3,908**	3,185
Interest revenue	**(235)**	(168)
EBITDA	**21,666**	19,556
Impact of AASB 16 *Leases*	**(4,348)**	(4,407)
Adjusted EBITDA	**17,318**	15,149

2. Significant changes in the current reporting period

The Group remains well placed to grow revenues through ongoing practice innovation. The Group has reviewed its exposure to emerging business risks but has not identified any risks that could impact the financial performance or financial position of the Group as at 31 December 2019. It has sufficient headroom to enable it to conform to covenants on its existing borrowings and sufficient working capital and undrawn financing facilities to service its operating activities.

The financial position and performance of the Group was particularly affected by the following events and transactions during the six months to 31 December 2019:

- **NPA segment**

An increase in revenue was primarily as a result of the contribution of Carr and Co Divorce and Family Lawyers revenue as a result of the acquisition of the business on 1 January 2019. This more than offset a reduction in revenue in the:

- **PI segment**

Primarily as a result of slight underperformance compared to the previous comparative period.

For a detailed discussion about the Group's performance and financial position please refer to our review of operations on pages 4 to 5.

3. Profit and loss information

(a) Significant items

	Half-year	
	31 Dec 19 $'000	31 Dec 18 $'000
Profit for the half-year includes the following items that are unusual because of their nature, size or incidence		
Losses		
Impairment of goodwill	**-**	5,000

(b) Other expenses

Premises	**2,005**	2,219
Marketing	**7,603**	5,934
HR	**1,577**	1,679
IT and computer	**2,719**	2,603
Printing, postage and stationery	**840**	1,134
Professional fees	**2,228**	2,818
Fair value losses on unbilled disbursements	**2,870**	2,780
Motor vehicle and travel	**825**	611
Bad and doubtful debts	**380**	203
Sundry	**251**	349
	21,298	20,330

3. Profit and loss information (continuation)

(c) Income tax

Income tax expense is recognised based on management's estimate of the weighted average effective annual income tax rate expected for the full financial year. The estimated average annual tax rate used for the year to 31 December 2019 is 31%, compared to 59% for the six months ended 31 December 2018. The tax rate was higher in 2018 due to the non-deductibility of the impairment of goodwill.

4. Unbilled disbursements

	31 Dec 19 $'000	30 Jun 19 $'000
Current		
At cost	**68,906**	62,393
Less: Provision	**(3,615)**	(2,798)
	65,291	59,595
Non-current		
At cost	**21,060**	19,904
Less: Provision	**(701)**	(1,203)
	20,359	18,701

5. Disbursement funding

	Facility limit (Principal) $'000	**Total facility balance $'000**	**Undrawn limit available $'000**
31 December 2019			
Third Party Disbursement Funding Facility			
Deferred payment agreement	**57,500**	**(54,058)**	**3,442**
Deferred premiums	**n/a**	**(9,646)**	**n/a**
Total facility balance	**n/a**	**(63,704)**	**n/a**
Credit contracts and Exclusive Service Provider Deed	**n/a**	**(2,711)**	**n/a**
30 June 2019			
Third Party Disbursement Funding Facility			
Deferred payment agreement	47,250	(46,009)	1,241
Deferred premiums	n/a	(5,390)	n/a
Total facility balance	n/a	(51,399)	n/a
Deferred settlement agreement	1,765	(1,765)	-
Credit contracts and Exclusive Service Provider Deed	n/a	(555)	n/a
Deed of residential claim disbursements	260	(260)	-
Deed of assignment disbursement funding	564	(564)	-

6. Impairment testing of goodwill

The Group performed its bi-annual impairment test at 31 December 2019 to assess whether circumstances indicated that the carrying value may be impaired.

The Group's impairment test for goodwill is based on value-in-use (VIU) calculations.

The key assumptions used to determine the recoverable amount for the different cash generating units (CGU) were disclosed in the annual consolidated financial statements for the year ended 30 June 2019.

The Group considers the relationship between its market capitalisation and its book value, among other factors, when reviewing for indicators of impairment. As at 31 December 2019, the market capitalisation of the Group was below the book value of its equity, indicating a potential impairment of goodwill.

As a result, management performed an impairment test as at 31 December 2019 for the following segments:

- PI; and
- NPA.

These are the CGUs' groupings with goodwill.

CGUs

The Group used the CGUs' VIU to determine the recoverable amount, which exceeded the carrying amount.

The projected cash flows were updated to reflect the increased demand for legal services and a post-tax discount rate of 10.5% and 10.9% for PI and NPA respectively (30 June 2019: 10.5% PI and 10.9% NPA) was applied.

Cash flows beyond the five-year period have been extrapolated using a 3.0% terminal growth rate (30 June 2019: 3.0%). All other assumptions remained consistent with those disclosed in the annual financial statements for the year ended 30 June 2019.

As a result of the updated analysis, management did not identify an impairment for CGUs to which goodwill of $36,258,595 is allocated.

Sensitivity to changes in assumptions

With regard to the assessment of VIU of the PI and NPA CGUs, there are no significant changes to the sensitivity information disclosed in the annual consolidated financial statements for the year ended 30 June 2019.

Growth rate assumptions

Rates are based on current industry trends including the continued expectation of industry consolidation. These have been updated for the current economic outlook.

Discount rate

The discount rate has been adjusted to reflect the current market assessment of the risks specific to the CGUs, and was estimated based on the cost of equity and debt for the Group.

Further changes to the discount rate may be necessary in the future to reflect changing risks for the industry and changes to the cost of equity and debt.

7. Borrowings

Loan covenants

The bank loan agreement stipulates the following covenants:

- Total bank debt not to exceed 50% of the Group's total work in progress; and
- Total bank debt must be no more than 2.25 times Group EBIDTA on a rolling 12 months basis.

The Group complied with these ratios throughout the reporting period.

Financing arrangements

The Group's borrowing facilities were as follows:

	31 Dec 19	30 Jun 19
	$'000	$'000
Floating rate – bank loans		
• Expiring within one year	**298**	908
• Expiring beyond one year	**45,000**	45,000
Transformation project costs loan		
• Expiring within one year	**2,344**	2,283
• Expiring beyond one year	**4,645**	5,832
Vendor finance		
• Expiring within one year	**318**	390
	52,605	54,413
Current	**2,960**	3,581
Non-current	**49,645**	50,832

8. Dividends

(a) Ordinary shares

	Half-year	
	2019	2018
	$'000	$'000
Dividends provided for or paid during the half-year	**4,329**	3,896

(b) Dividends not recognised at the end of the half-year

In addition to the above dividends, since the end of the half-year the Directors have recommended the payment of an interim dividend of 1.50 cents per fully paid share (2018 – 1.25 cents), 0% franked. The aggregate amount of the proposed dividend expected to be paid on 27 March 2020 out of retained earnings at 31 December 2019, but not recognised as a liability at the end of the year, is:	**2,599**	2,165

9. Equity securities issued

Issued capital at 31 December 2019 amounted to $53,222,800 (173,261,812 ordinary shares).

During the half-year, the company issued 100,000 ordinary shares in accordance with the terms of an Executive Employment Agreement between the Company and its then Group Chief Operating Officer, Cath Evans. As a result of this issue, share capital has been increased by $73,000. There were no other movements in the ordinary share capital of the Company in the current or prior half-year.

10. Fair value measurement of financial instruments

This note provides an update on the judgements and estimates made by the Group in determining the fair values of the financial instruments since the last annual financial report.

(a) Fair value hierarchy

To provide an indication about the reliability of the inputs used in determining fair value, the Group classifies its financial instruments into the three levels prescribed under the accounting standards. An explanation of each level follows underneath the table.

The following table presents the Group's financial assets measured and recognised at fair value at 31 December 2019 and 30 June 2019 on a recurring basis. The Group does not have any financial liabilities measured at fair value.

At 31 December 2019	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets				
Unbilled disbursements	-	-	85,650	85,650
Total financial assets	-	-	85,650	85,650

At 30 June 2019	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets				
Unbilled disbursements	-	-	78,296	78,296
Total financial assets	-	-	78,296	78,296

There were no transfers into or out of Level 3 fair value measurements during the six months ended 31 December 2019.

(a) Fair value hierarchy

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

The Group did not measure any financial assets or financial liabilities at fair value on a non-recurring basis as at 31 December 2019.

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives and equity securities) is based on quoted market prices at the end of the reporting period. The quoted marked price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over–the–counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

(b) Valuation techniques used to determine fair values

Specific valuation techniques used to value financial instruments include:

- The use of quoted market prices or dealer quotes for similar instruments;
- For foreign currency forwards – present value of future cash flows based on the forward exchange rates at the balance sheet date; and
- For other financial instruments - discounted cash flow analysis.

All of the resulting fair value estimates are included in level 3.

10. Fair value measurement of financial instruments (continuation)

(c) Fair value measurements using significant unobservable inputs

The following table presents the changes in level 3 instruments for the half-year ended 31 December 2019:

	Unbilled disbursements $'000
Opening balance 30 June 2019	**78,296**
Additions	**44,600**
Settlements	**(34,366)**
Losses recognised in profit or loss	**(2,870)**
Interest	**(10)**
Closing balance 31 December 2019	**85,650**

(i) Transfers between levels and changes in valuation techniques

There were no transfers between the levels of the fair value hierarchy in the six months to 31 December 2019. There were also no changes made to any of the valuation techniques applied as of 30 June 2019.

(ii) Valuation input and relationships to fair value

The following table summarises the quantitative information about the significant unobservable inputs used in level 3 fair value measurements:

Description	Fair value at 31 Dec 2019 $'000	Unobservable inputs	Relationship of unobservable inputs to fair value
Unbilled disbursements	85,650	Internal historical recovery rates Qualitative individual matters	If the provisioning rate was 1% (higher) or lower, the fair value would (decrease)/increase by $899,661

11. Contingent liabilities

(a) Contingent liabilities

The Group has received a small number of individual notifications submitted by former clients against the Group. When each notification is received, the Group makes an assessment of the likelihood that the potential notice will proceed to a legal claim. The Group's estimate of the notifications that may progress to a claim and the excess that may need to be paid to its insurers to cover such potential claims at 31 December 2019 is $nil (30 June 2019: $nil).

12. Events occurring after the reporting period

Refer to note 8 for dividends recommended since the end of the reporting period.

13. Related party transactions

During the half-year, there has been no significant changes in the existing related party arrangements. There were no new arrangements entered into during the half-year.

		Sales to related parties $	Purchases from related parties $	Amounts owed by related parties $	Amounts due to related parties $
Related parties of the Group:					
Entities controlled or significantly influenced	**31 Dec 2019**	**768,775**	**538,020**	**3,930,919**	**6,845,773**
	31 Dec 2018	737,733	579,163	3,404,395	6,482,443

Purchases

During the half-year, premises rent totalling $538,020 (31 December 2018: $579,163) was paid to affiliated companies of which Simon Morrison and Stephen Roche are directors and controlling shareholders.

Sales

During the half-year, goods, rent and services fees totalling $768,775 (31 December 2018: $737,733) was sold to Shine Lawyers NZ Limited, an affiliated company of which Simon Morrison and Stephen Roche are directors and controlling shareholders.

Amounts owed by related parties

During the half-year, an additional loan of $771,606 was provided to Shine Lawyers NZ Limited, an affiliated company of which Simon Morrison and Stephen Roche are directors and controlling shareholders. An amount of $391,206 was repaid during the half-year. The balance outstanding is $3,930,919, which includes interest charged of $146,123.

Amounts due to related parties

During the half-year, liabilities associated with right to use assets provided by Simon Morrison, a director and a controlling shareholder and Stephen Roche, a controlling shareholder totalled $6,845,773 (30 June 2019: $6,482,443).

Other transactions

During the half-year, consultancy fees totalling $120,000 (31 December 2019: $120,000) was paid to Stephen Roche, a controlling shareholder.

Directors' declaration

In the Directors' opinion:

(a) the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001,* including:

(i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and

(ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2019 and of its performance for the half-year ended on that date, and

(b) there are reasonable grounds to believe that Shine Corporate Ltd will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Directors.

Simon Morrison
Managing Director and CEO

Brisbane
28 February 2020

Independent auditor's review report to the members of Shine Corporate Ltd

Independent auditor's review report to the members of Shine Corporate Ltd

Report on the half-year financial report

We have reviewed the accompanying half-year financial report of Shine Corporate Ltd (the Company) and the entities it controlled during the half-year (together the Group), which comprises the consolidated balance sheet as at 31 December 2019, the consolidated statement of comprehensive income, consolidated statement of profit or loss, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, selected other explanatory notes and the directors' declaration.

Directors' responsibility for the half-year financial report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2019 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Shine Corporate Ltd, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

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Independent auditor's review report to the members of Shine Corporate Ltd

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Shine Corporate Ltd is not in accordance with the *Corporations Act 2001* including:

1. giving a true and fair view of the Group's financial position as at 31 December 2019 and of its performance for the half-year ended on that date;

2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

PricewaterhouseCoopers

Simon Neill
Partner

Brisbane
28 February 2020

Corporate information

ABN 93 162 817 905

Directors

Tony Bellas, Non-executive Chair
Carolyn Barker AM, Non-executive Director
Gregory Moynihan, Non-executive Director
Simon Morrison, Managing Director and CEO

Company secretaries

Annette O’Hara
Ravin Raj

Registered office

Level 13
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Brisbane, Queensland
Phone: 61 7 3006 6000

Share register

Link Market Services Limited
Level 21,
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Brisbane, Queensland

Shine Corporate Ltd is listed on the Australian Securities Exchange (ASX)

Bankers

Commonwealth Bank of Australia
Level 21
180 Ann Street
Brisbane, Queensland

Auditors

PwC Australia
480 Queen Street
Brisbane, Queensland